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TAGS: [PREL](#) [OREP](#) [ECON](#) [EPET](#) [EFIN](#) [AO](#)

SUBJECT: SCENESETTER FOR STAFFDEL PHALEN'S MARCH 18-22
VISIT TO ANGOLA

¶1. (U) Embassy Luanda warmly welcomes the visit of Professional Staff Members from the Senate Committee on Foreign Relations Michael Phalen and Neil Brown on March 18-22. This is the first visit by Congressional Professional Staff to Angola and provides an opportunity to discuss key bilateral issues such as good governance, the upcoming legislative elections, fiscal transparency, and cooperation aimed at fostering diverse economic growth. Your visit will move our bi-lateral dialogue forward with government officials, political party leaders, and other decision makers in Angola.

Overview

¶2. (U) Six years after the end in 2002 of a 27-year civil war, Angola is at a pivotal juncture in its development and reconstruction. A healthy, democratic, peaceful, secure, and prosperous Angola is vital to both regional stability and prosperity and US national security interests. Our principal goals are consolidating Angola's democratic transition and strengthening the country's ability to use more efficiently its vast natural resources to improve the well-being of all citizens.

¶3. (SBU) Perhaps the greatest constraint to improving our ties with the Angolan government and the military in particular is our history with Angola. President dos Santos has publicly chastised the powers that interfered in colonial and post-independence Angola for not helping rebuild the country after decades of civil war, and he includes the U.S. in that group. Many of Angola's civilian and military leaders fought against rebels backed by the U.S. and blame the U.S. for the suffering inflicted by those rebels on their families. Some Angolans seek to strengthen ties with the U.S., but many key political and military leaders continue to be wary of U.S. intentions.

Politics and Elections

¶4. (SBU) While nominally a multi-party democracy, Angola is dominated by the Popular Movement for the Liberation of Angola (MPLA) and a very strong chief executive (now in office for 28 years) - Jose Eduardo Dos Santos. Angola's only democratic elections since independence in 1975 were held in 1992. The results were contested by Jonas Savimbi, leader of the opposition party Union for the Total Independence of Angola (UNITA), and resulted in the resumption of civil war for another decade. Savimbi was killed in battle in February 2002, and a formal peace accord was signed shortly thereafter.

¶5. (U) In December 2006, President Dos Santos and opposition parties reached agreement to hold legislative elections in

2008 and presidential elections in 2009. Initial voter registration was completed in September 2007 with over 8 million Angolans registering to vote, a number that exceeded expectations. On December 28th, 2007, President dos Santos announced that legislative elections would be held on September 5th and 6th 2008; while he must still formally "call" elections 90 days prior to the election, all signs indicate the oft-postponed elections are on track for September.

¶6. (U) U.S. assistance for democracy-building and good governance in FY 07 was approximately \$8.3 million. Our programs are administered through USAID and executed by International Republican Institute (IRI), the National Democratic Institute (NDI), IFES, World Learning, Development Alternatives Inc., the Academy for Educational Development and CARE. They focus on building civil society capacity, strengthening political parties, increasing fiscal transparency, improving delivery of social services, and providing limited technical assistance to the Angolan institutions and officials.

Economics

¶7. (U) Angola's economy is one of the fastest growing in the world, driven by booming oil production. Production, officially capped by OPEC at 1.9 million barrels per day (bpd), is projected to reach over 2.2 million bpd by the end of 2008. Angola's economy grew by 19.5 percent in 2006 and 23.4 percent in 2007, and is expected to match or beat that pace in 2008. Inflation was reduced from triple digits near the end of the war to just under 12 percent last year. Thanks again to petroleum revenues, foreign exchange reserves

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are growing. Angola is our seventh largest source of foreign oil. With increasing oil revenues and extensive lines of credit supplied by the Chinese, Portuguese, Brazilian, and other governments, Angola is now in the midst of major infrastructure rebuilding.

¶8. (U) Angola's tremendous oil wealth has allowed it to come out from under a severe debt burden generated during the civil war years. The government deficit is under control and foreign reserve accounts are flush with capital from extractive industries, namely oil and diamonds. Outside these industries, however, the Angolan economy continues to sputter. Agriculture is slowly returning to the countryside, while manufacturing and service industries are scarce and generate few jobs to address the nation's burgeoning unemployment problem.

¶9. (U) According to the World Bank's 2007 "Doing Business" index, Angola ranks 167 out of 178 countries in promoting an open and efficient business climate. Angola's rankings in the categories of "starting a business" (173 out of 178) and "enforcing contracts" (176 out of 178) are of particular concern.

Transparency

¶10. (SBU) Under pressure from the international community, the Angolan government has made strides towards greater transparency by publishing financial information and working to limit extra-budgetary expenditures. Published budget documents have grown more detailed from year to year, but the 2006, 2007 and 2008 budgets still place a substantial portion of expenditures under vague headings like "administrative costs." The government has been implementing a government-wide accounting system, but the poor execution rate of budgeted expenditures remains a problem. The accountability of budgeted yet unspent funds and oil revenue beyond the published reference price (USD 55) remains an area of concern. The Court of Accounts (Tribunal de Contas)

reviews cases of official financial misconduct, but the published case load shows few convictions. Angola is a signatory to the UN Convention Against Corruption.

¶11. (SBU) Angola lacks a conflict of interest restriction that would limit the participation of government officials in private sector opportunities related to their public responsibilities. Petty corruption is a problem worsened by low civil service salaries and a proliferation of bureaucracy and regulations that present opportunities for rent-seeking. Complicated procedures and long bureaucratic delays sometimes tempt investors to seek quicker service and approval by paying "gratuities" and "facilitation fees". Transparency International's 2007 Corruption Perception Index (CPI) placed Angola at 147 out of 163 countries.

¶12. (SBU) Although Angola's public and private companies historically did not use transparent accounting systems consistent with international norms, IMF demands have spurred audits of Angola's largest public companies by major international accounting firms. In 2007, the Government of Angola announced that it would not enter into a formal program with the IMF, but did agree to continue Article IV consultations with the IMF. The Angolan Government does not participate in the Extractive Industries Transparency Initiative, although it has taken many of the steps necessary to qualify for the program. The government approved an audit law in 2002 that requires audits for all "large" companies, but it has not yet been possible to enforce this rule due to the lack of a professional accounting oversight body. The National Bank of Angola hopes to foster a professional body of accountants to enforce standards and certify qualified accountants. US firms operating in Angola are required to adhere to the Foreign Corrupt Practices Act.

Development and US Assistance

¶13. (U) While Angola shows signs of growth and development, the country still has some of the worst social indicators in the world. Although statistical data are imprecise, best international estimates are that sixty-eight percent of the population lives in poverty, 26 percent in abject poverty. Life expectancy is forty-seven years, more than 30 percent lower than the average for developing nations; infant mortality, maternal mortality and other measures of the quality of life are among the worst in the world. Fertility is very high - an average of 6.9 births per woman.

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¶14. (U) Our USAID programs are aimed at assisting Angola to address the many major challenges it faces to achieve long-term stability and progress in translating wealth into an appreciably improved quality of life for its citizens. Our flagship program is the President's Malaria Initiative (PMI), which seeks to halve by 2010 mortality from malaria among children under five - and we're on track to do that. The Angolan government, in particular the Health Ministry, has been closely involved in the program and collaboration with other donors is strong. In FY07, the second year of implementation, PMI sprayed over 110,000 houses (reaching over 500,000 Angolans), distributed over 90,000 bed nets and furnished over 2.4 million treatments for malaria.

¶15. (U) The USG is also highly visible in the fight against HIV/AIDS. Angola presents a unique opportunity to combat the spread of HIV/AIDS. According to CDC data, Angola has a relatively low prevalence rate (2.1% among adults in 2007), but areas bordering higher-prevalence countries have rates four to five times as large and are rising. Many of the factors conducive to an increase in the prevalence rate of HIV/AIDS are in place: the early age of sexual debut, the frequent use of multiple concurrent partners, and improved transportation routes, which encourages interaction with neighboring countries which have significantly higher

prevalence rates. The USG - CDC, USAID, DOS and DOD - is working closely with the Angolan Ministry of Health, private partners and NGOs to implement the national plan against HIV-AIDS.

¶16. (U) The U.S. promotes a prosperous, economically diverse Angola through programs which work to improve the policy environment for private sector entrepreneurship in the non-oil economy, with particular attention to developing Angola's rich agricultural potential. Leveraging resources from multilateral lenders, other bilateral donors, and the government's own efforts, these programs include work with the National Bank to promote systemic reform and ensure sustained economic growth through sound monetary policy and credit reform in support of small and medium enterprises; agricultural development and finance; land tenure reform and strengthening; improving fiscal control and programming in the Ministry of Finance; and capacity building in youth through Junior Achievement Angola.

¶17. (U) Angola also remains one of the most heavily land-mined countries in the world, and USG assistance provides around USD 6 million to support humanitarian landmine clearance and the destruction of excess and unstable weapons and munitions. We also support capacity-building within the Angolan National Demining Commission to strengthen the Angolan capacity to manage the national demining program and take over the major role played by international NGOs in landmine clearance.

Human Rights Improving, but Capacity a Constraint

¶18. (U) Angola's human rights record remains poor. The country's overburdened judicial system remains a poor protector of individual rights. Several high-profile cases in 2007 drew attention to the role of the government in fueling self-censorship of the media and continuing restrictions on the freedom of movement within Angola for journalists and others. Elements of the military and police security forces continue to disregard human rights and the government has failed to investigate allegations of abuse. A high-profile report released in December 2007 by Doctors without Borders (MSF) accused Angolan security forces of severely abusing and systematically raping illegal Congolese immigrants during expulsion operations in the remote province of Lunda Norte; despite the Army Chief of Staff's promise that the allegations would be investigated, no further report has been issued.

¶19. (U) Prisons are overcrowded with harsh conditions, especially in the provinces. The NGO movement is still nascent, but there are some indigenous organizations tracking human rights abuses and working with the GRA to train the national police on human rights issues.

¶20. (U) USG-funded programs have helped train police through the International Law Enforcement Academy (ILEA) Gaborone facility. In addition, USG-funded international organization partners in Angola have provided training on specific issues such as trafficking in persons and child rights.

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